

Supplier Risk Management

- **Service Set:** Business & Financial Systems Services
- **One Book Process:** Contract Property Management
- **Process Owner:** Nelson Cahill,
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Supplier/Property Risk Management

- **2 Concurrent Risk Assessments/Ratings:**

- **I. System Risk:** Overall risk rating determined, level of oversight required, and how often a PCSA should be performed, i.e. Annual, Biennial or Triennial Review
- **II. Process/Function Risk Assessment:** Determines a risk rating for each function/process to determine which functions should be waived, reviewed, or subject to Gov't/Joint reviews.

- * **Benefits:**

- **Focus on areas of significant potential risk to the Government**
- **Allows PA to use judgment based on**

System Risk Planning

- **To plan for conducting the System Risk Assessment, the PA shall review:**
 - **Current prime contracts**
 - **Delegations**
 - **Property Control Procedures**
 - **Lost, Damage, or Destruction of Gov't Property trends**
 - **Results of 2 most recent Property Control System Analyses (PCSAs)**
 - **Any info that may affect the contractor's control, i.e., personnel or organizational changes**

Function/Process Risk Planning

- **To plan for conducting the 15 Function/Processes Risk Assessment, (Acquisition, Receiving, Records, Disposition, etc.,) the PA shall review:**
 - **Past Performance**
 - **Current Areas of Government focus**
 - **Known or Reported Deficiencies**
 - **Results of Other Specialists' Reviews**
 - **Significant Increases in Government Property**
 - **Process Based Contractor Metrics**

System Risk Assessment

- **Using criteria (PCS status, PCS system changes, and inherent risk) defined in DLAD 5000.4, Ch 7.1, Attachment 1, and the knowledge of the contractor's system, the Property Administrator uses judgement to assesses the system risk to be either:**

High

Moderate

Low

- **General rule: If 2 or more criteria qualify as high risk in PCS performance, the system should be considered high risk; if 3 or more criteria in system changes or inherent risk**

Function/Process Risk Assessment

- **Based upon the Planning considerations, i.e, Past Performance, Focus Areas, Deficiencies, Increases in Property, Metrics, etc., the PA determines a risk rating for each function/process (H/M/L) and determines whether the function/process is subject to:**
 - **Annual, Biennial, Triennial PCSA review**
 - **Government Review**
 - **Government/Contractor Joint Audit**

Risk Handling

- **The Risk Rating determines the level of oversight and strategy to be applied to each contractor.**
- **Risk Handling Plan is developed:**
 - **Level of property management oversight determined (receipt of new contracts/verification of GFM listings, liability determinations, etc.)**
 - **Performance frequency of PCSA is determined by both system rating & each process/function rating**
 - **Each function/process will be subject to PCSA at least once every three years.**

Risk Handling

<u>System Risk</u>	<u>Oversight</u>	<u>Frequency of PCSA</u>	<u>Performance</u>
High	Intensive (Recurrent)	Annual PCSA	Gov' t/Joint
Moderate	Moderate (Periodic)	Annual/ Biennial PCSA—	Gov' t/Joint
Low	Minimal (Limited)	Triennial PCSA—	Gov' t/Joint

Risk Monitoring

- **Day to day monitoring of the contractor's Property control system(PCS)**
 - **Investigating Lost Damage, or Destruction (LDD) of Government Property**
 - **Update PCS Procedures--Based Upon Contract Receipt and Review**
 - **Contract Closeout--system to identify excess property**
 - **Review of reports of property in the custody of contractors--accurate & timely submission**
 - **Preaward and Post Award Reviews**
- Allows property administrator to determine areas and processes exhibiting favorable or adverse trends**

System Risk Documentation

- **The Property Administrator shall prepare a written narrative explaining the system risk assessment in sufficient detail to address the criteria contained in DLAD 5000.4, Chapter 7.1, Attachment 1. Addressing:**
 - **PCS Status (Approval Withdrawn, Unsatisfactory, Satisfactory with Corrective Action Plan, Satisfactory)**
 - **PCS System Changes (major or minor changes)**
 - **Inherent Risk (Amount and type of Government Property, Cost or Fixed Price**

Function/Process Risk Documentation

- **The Property Administrator shall prepare a written narrative explaining the risk assessment for each function/process in sufficient detail to clearly address the “planning” criteria and the determination why a function/process is rated H/M/L.**
 - **A clear understanding of internal & external factors that may affect a contractor’s property control system aids in the PA’s determination of the specific functions/processes that require review during the performance of the PCSA.**